Corporate Snapshot: INDIA & GLOBAL

At $16.6bn, India's trade deficit soars to 5-year high in bad news for rupee

India's trade deficit widened the most in five years as oil prices jumped, setting the stage for renewed pressure on the rupee, Asia's worst-performing currency.

Government data on Friday showed trade deficit at $16.6bn in June, well above Bloomberg forecast of $14.4bn and higher than the $14.6bn gap in May. The June trade deficit was the widest since the $19.1bn gap reported in May 2013.Oil imports in June were at $12.73bn, up 57% from a year ago. Overall imports rose 21.3% to $44.3bn while exports lagged, growing at 17.6% to $27.7bn.

The data will have an adverse impact on India's current-account deficit, already strained by slowing foreign inflows and high oil prices, and will add to weakness in the rupee. The rupee plunged to a record 69.0925 against the dollar last month. "It is the import bill that's worrisome," said NR Bhanumurthy, an economist at the Delhi-based National Institute for Public Finance and Policy, adding, "It is only going to rise further as oil prices climb and the markets continue to realign thanks to the US trade wars. So the expectation is that the rupee will only weaken further."The nation's current account gap is expected to widen to 2.4% of gross domestic product (GDP) in the financial year to March 2019 from 1.9% in the October-December period.

June 2018 CPI surges to five-month-high, May 2018 IIP slows to seven-month-low

India's retail price inflation quickened for the third straight month, raising expectations that the central bank could consider tightening monetary policy next month.

Consumer prices rose 5% in June from a year earlier after a 4.87% increase in May, the Statistics Ministry said in a statement on Thursday. The median of 43 estimates in a Bloomberg survey of economists was for a 5.28% gain. Industrial output, meanwhile, expanded 3.2% in May, the slowest in seven months, compared with an estimated 4.4 % gain.

The Reserve Bank of India increased interest rates by 25 basis points (bps) in June and said future rate actions would be data-dependent, including the impact of farm support prices on consumer prices, crude oil movements and higher allowances to government employees.

Inflation has been hovering above the 4% midpoint of the central bank's target band for eight straight months, and the quickening of the gauge in June to a five-month-high will boost calls for a further tightening of interest rates. Oil trading near the highest levels since 2014 and persistent weakness in the rupee also add to the pressure.

According to the Reserve Bank of India's April monetary policy report, a 5% depreciation in the rupee may fan domestic inflation by about 20bps. It also expects oil averaging around $78 a barrel to stoke inflation by 30bps.

In Details

- Food and beverage prices rose 3.18%
- Clothing and footwear rose 5.67%
- Fuel and lighting rose 7.14%
- Housing rose 8.45%
- Figures due on Monday will show India's wholesale price inflation rate was probably 5.23% in June from a year earlier.

Manufacturing sector output, on the other hand, degrew to 2.8% in May compared to a 5.2% rise in April. RBI had warned of a slowdown in industrial activity in the first quarter of current fiscal in its June monetary policy review.

India's coffee exports touch 3.95 lakh tonnes in 2017-18

India's coffee exports reached an all-time high of 3.95 lakh tonnes in 2017-18 as compared to 3.53 lakh tonnes in the previous fiscal, Parliament was informed on Wednesday.

In 2015-16, the exports aggregated at 3.16 lakh tonnes. The demand of Indian coffee is seen to have increased in Germany, Indonesia, USA, Poland, Libya, Spain, Tunisia, Ukraine, Italy and Belgium, Minister of State for Commerce and Industry CR Chaudhary said in a written reply to the Rajya Sabha. He also said that coffee is primarily an export oriented commodity for India.

“The demand/consumption in domestic market is about 25-30% of country’s coffee production and therefore, does not drastically impact the prices of coffee in the domestic market,” he added.

Replying to a separate question on FDI, the minister said India has attracted $61.96 billion in 2017-18 as against $60.22 billion in the previous fiscal.

Indus-Infratel tie-up to help Idea and Vodafone reduce their debt

The merger of Indus Towers into Bharti Infratel will give IdeaNSE 0.20 % Cellular and Vodafone India the much-needed leeway to monetise their stakes to reduce debt in their merged company, analysts said, adding that the companies would, however, need to keep infusing more cash to compete with Reliance Jio Infocomm and Bharti Airtel.

“The Indus-Bharti Infratel merger deal is a win-win for Idea Cellular as it gives them a potential cash exit option and retains their preferred access s to the tower assets of the combined tower entity through its merger with Vodafone India,” said former Bharti Airtel CEO Sanjay Kapoor.

The mega tower company merger will also give more financial flexibility to Vodafone and a greater liquidity option as it will be free to sell its stake in the market as the merged entity would be listed, he added.

Idea, ranked No. 3, and second-placed Vodafone India are in the last leg of approvals needed to merge and form ..the largest telecom operator in India. With a combined debt of over Rs 1 lakh crore and a debt-to-equity of over seven times operating income – even after the recent cash infusions – any stake sale now or later could be used to improve the balance sheet of the merged entity.

Global FDI Inflows fell 23% in 2017

Global foreign direct investment (FDI) flows fell by 23% to $1.43 trillion in 2017 from $1.87 trillion in the previous year, a decline that is in stark contrast to the improvement seen in other macroeconomic variables, such as GDP and trade, according to the World Investment Report 2018. Crossborder investment in developed and transition economies dropped sharply, while growth was near zero in developing economies. This negative trend is a long-term concern for policymakers worldwide, especially developing countries, where international investment is indispensable for sustainable industrial development.